Progress in Sustainable Development

AR58

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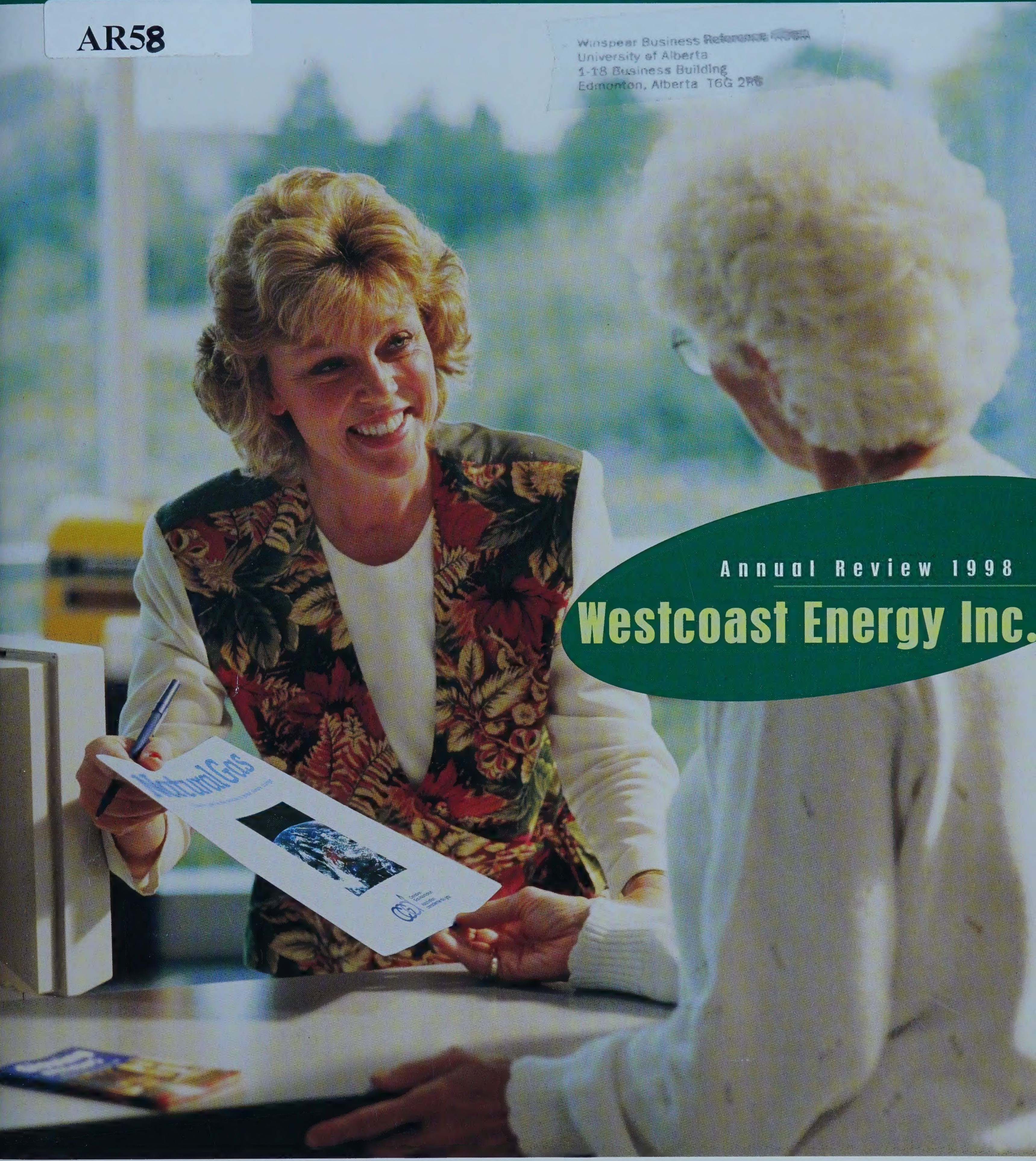

Annual Review 1998

Westcoast Energy Inc.

The Westcoast Energy group of companies includes:

Centra Gas British Columbia Inc. • Engage Energy • Maritimes & Northeast Pipeline • NGX Canada Inc. • Pacific Northern Gas Ltd. • Trillium USA • Union Energy • Union Gas Limited • Westcoast Gas Services Inc. • Westcoast Energy International Inc. • Westcoast Energy Pipeline and Field Services Divisions • Westcoast Power Inc.

Westcoast Energy

Centra Gas British Columbia Inc.

Engage Energy

Maritimes & Northeast Pipeline

NGX Canada Inc.

Pacific Northern Gas Ltd.

Trillium USA

Union Energy

Union Gas Limited

Westcoast Gas Services Inc.
Westcoast Energy International Inc.
Westcoast Energy Pipeline and Field Services Divisions

Westcoast Power Inc.

Corporate Profile

Natural gas is the clean-burning, economical and plentiful energy source that fuels Westcoast Energy's network of gathering, processing, transportation, storage, distribution and power generation operations.

The managed growth of these core businesses has positioned Westcoast Energy as a leading energy company with assets of $11 billion, and as a partner of choice for new major pipeline projects across North America. Westcoast Energy also has operations in Mexico, China and Indonesia.

Through the development of competitive businesses in energy marketing and retail, information and financial services, the Company continues to progress towards its goal of becoming a provider of superior energy services value to its customers.

In 1998, Westcoast Energy companies handled more than 2,400 billion cubic feet of natural gas and generated more than 1.3 million megawatt hours of electrical power.

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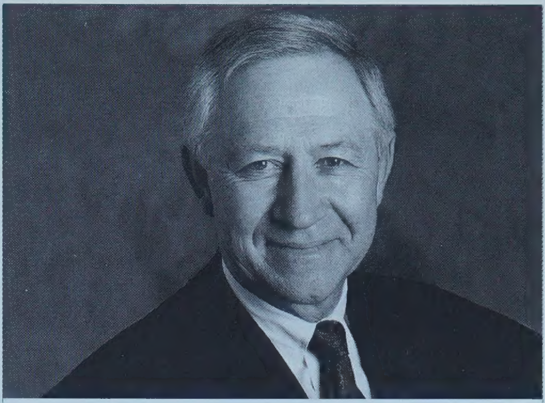
President's Message

Since our Company was incorporated as Westcoast Transmission in 1949, we have seen many changes in our business environment. One of the most profound has been a marked evolution in the public's expectations for corporate performance in environment, health, safety, and community and employee relations.

In the past, society measured "progress" on the basis of economic expansion and job creation. Today, a combination of economic, environmental, health, safety, and societal factors figure prominently in the measurement of corporate success. Many people refer to the sum total of these considerations as "sustainable development."

One of our greatest corporate challenges lies in clearly defining how sustainable development relates to our business environment and corporate objectives.



Our *1998 Progress in Sustainable Development Review* sets out our interpretation of sustainable development, identifies our current sustainable development priorities and puts them in the context of our overall corporate objectives.

Briefly, Westcoast Energy had several notable sustainable development achievements in 1998. Among them are:

- the adoption of an enterprise-wide *Environment, Health and Safety Policy*
- a statement of commitment to Aboriginal Relations as presented in our booklet *"Sharing A Vision,"* together with the establishment of a corporate Aboriginal Relations program; and
- the adoption of an *Environment, Health and Safety Management System* in our Pipeline and Field Services Divisions, integrating the separate environment, and health and safety structures previously in place.

At Westcoast Energy, we continue to embrace the challenges of sustainable development. At the same time, we recognize that the business community, as the primary generator of wealth in our economy, with the support of government and the public, is best positioned to further our collective sustainable development goals.

Our strategic corporate goal is "to provide superior energy services value to our customers." Measurable progress in sustainable development is essential to achieving this goal.

I invite you to read on to learn more about our progress in the past year.

Art Willms
President & Chief Operating Officer

Westcoast Energy

Finding a Balance

Since 1994, in response to the global community's changing expectations for business success, the Westcoast Energy group of companies has been exploring sustainable development and its implications for our business. In that time, we have endeavoured to define it in a way that communicates its relevance to our employees and stakeholders and to understand the specific steps we can take to ensure we are building a basis for enduring success.

The term "sustainable development" was first introduced in the United Nations' 1987 report *Our Common Future.* The report defines sustainable development as *"development that meets the needs of present generations without compromising the ability of future generations to meet their own needs."*

Over the past decade, many groups, including Westcoast Energy, have further interpreted sustainable development as the balance between the needs of a healthy economy, a healthy environment and a healthy society. These three factors are often referred to as a "three legged stool." In short, progress in sustainable development marks the change towards consideration and integration of community and societal factors.

Making progress toward sustainable development requires understanding and support at all levels of our business. The challenge for us lies in making sustainable development meaningful to everyone who works at Westcoast Energy and in ensuring that they understand how it should be reflected in their responsibilities. This document is intended as a step towards this goal.

Sustainable development is an important business objective because it makes good business sense. In addition to the benefits that flow to communities, it will increasingly play a role in:

- building public and community support and maintaining public consent to operate;
- continually improving productivity, efficiency and competitiveness;
- creating a rewarding and satisfying work environment for employees; and
- maintaining access to capital.

1. Public Consent to Operate

All corporations, particularly publicly traded ones, continue to exist by public consent. Public

Protecting part of B.C.'s land base from development

As a member of the Land and Resource Management Planning Group in northeastern B.C., Westcoast Energy worked with the British Columbia government, other industry sectors and environmental and recreational groups to establish the Muskwa-Kechika, a protected and special management area known as the Northern Rockies.

This unique land-use decision is supported by an advisory board and a trust fund intended to guide the future management of the Muskwa-Kechika in a way that balances the environmental, economic and Aboriginal interests for generations to come. As an important participant in the economy and the communities of northeastern B.C., Westcoast Energy is one of several companies that have each contributed $50,000 to the special management trust fund. These funds will be matched by the provincial government and will focus on projects that facilitate the integrated management of the Northern Rockies.

Adopting Environmentally Responsible Construction Practices

Through its construction practices, Union Gas aims to minimize and mitigate the adverse effects of construction on the environment and in local communities. In 1998, Union Gas planted 9,400 trees, part of a program to replace two acres of trees for every acre cut. The company has also improved construction practices in agricultural areas. A recent study showed that average crop yields on pipeline easements have shown a significant improvement (greater than 15 per cent) from crop yield data collected in the mid 1970s.

consent occurs when a corporation produces a product or service that the public values and when the provider of that product or service is perceived as being a good corporate citizen. In our view, a good corporate citizen means the activities of the Westcoast Energy group of companies must be conducted in alignment with the public's expectations and values.

The power of public consent means that we must consider public expectations in such areas as:

- product and service quality;
- returns on investments;
- environmental awareness and action;
- public health and safety;
- respect for employees; and
- commitment to the community.

Meeting public expectations starts with knowing and understanding our stakeholders, their interests in our activities and the impact of their support (or lack of it) on the Company and our operations. For Westcoast Energy, public consent is particularly important to ensuring access to the land base for both our own activities and those of natural gas producers.

Used glycol is being reclaimed at Westcoast Energy's McMahon plant, delivering several environmental and financial benefits.

2. Productivity, Efficiency and Competitiveness

Consideration of the sustainable development implications of our operations is providing a new means by which Westcoast Energy assesses productivity and efficiency. In fact, sustainable development has encouraged us to take a critical look at many of our operations and processes. In many instances, the result has been the realization of financial and other efficiencies.

Poor environment, health and safety (EHS) performance may result in fines and penalties, as well as government regulations that can lead to costly compliance consequences. We believe that identifying performance gaps and addressing them before there is regulatory intervention offers the opportunity for a more flexible regulatory environment.

For an integrated energy company like Westcoast Energy, encouraging operational efficiency allows us to make better use of our existing facilities and resources. This can, in turn, support our customers where our efficiencies help to lower their operational costs.

On another level, our pursuit of initiatives such as our Pollution Prevention Pilot project, have resulted in new alliances between

Glycol Reclamation

At Westcoast Energy's Pipeline and Field Services McMahon plant, glycol is used to absorb the water vapour present in unprocessed natural gas. In the past, used glycol was collected and transported for disposal off-site. In 1998, the Division engaged the services of a contractor to recover and purify a large accumulated volume of spent glycol for reuse.

Following the 1998 reclamation of spent glycol, several changes were made to facility processes to totally eliminate the further production of spent glycol.

The glycol reclamation and process changes deliver several environmental and financial benefits, such as:

- eliminating chemical and hydrocarbon emissions;
- reducing the volume of waste sent to disposal facilities and the cost associated with its disposal;
- reducing the amount of glycol that must be purchased; and
- supporting local contractors who have the required expertise.

Improved Safety Performance

Westcoast Energy's enterprise-wide safety management systems, safety programs and audit processes have helped to reduce the rate of employee injury by approximately 30 per cent over the past five years. As a result, provincial Workers' Compensation Board rate assessments should reflect this improved performance.

Westcoast Energy, governments and other stakeholders. Consequently, we are becoming more innovative, creating new ways of directly addressing stakeholder concerns without government intervention and developing productive new strategic alliances.

3. Workplace Satisfaction and Employee Development

Today, employees' expectations of employers are more comprehensive and sophisticated than ever before. Canadian and U.S. research on corporate social responsibility has shown that more than pay alone, employees want to work for companies that:

- are sensitive to juggling the demands of work and family life;
- demonstrate a commitment to employee health and safety and environmental concerns;
- provide ongoing performance recognition programs; and,
- offer opportunities to learn, grow and advance.

Not surprisingly, these expectations are consistent with the "healthy society" component of sustainable development.

Workplace satisfaction can lead to increased levels of employee morale and commitment. In short, satisfied employees are more productive. At the same time, a reputation for being a "caring company" also facilitates the recruitment of superior candidates and assists in retaining good employees.

4. Risk Management and Access to Capital

Westcoast Energy is committed to providing shareholders with an above-average financial return over the long term. Strong financial performance and a favourable financial rating are essential to achieving this objective.

A small but growing segment of the financial community is beginning to look more favourably on companies with a good record of managing EHS issues. Typically, these companies experience lower exposure to the financial liabilities that may be associated with poor EHS performance. This could help to protect shareholder value and provide easier access to capital.

Job Enhancement Program

As a result of changing management structures, Westcoast Energy's Pipeline and Field Services Divisions have broadened the responsibilities of employees to include those previously handled by front line supervisory staff. To assist employees in fulfilling their new responsibilities, the Divisions have developed the Job Enhancement Program (JEP). The program streamlines business processes and devolves decision making to front line staff by providing employees with the knowledge and skills required to make good business decisions.

Employment Equity

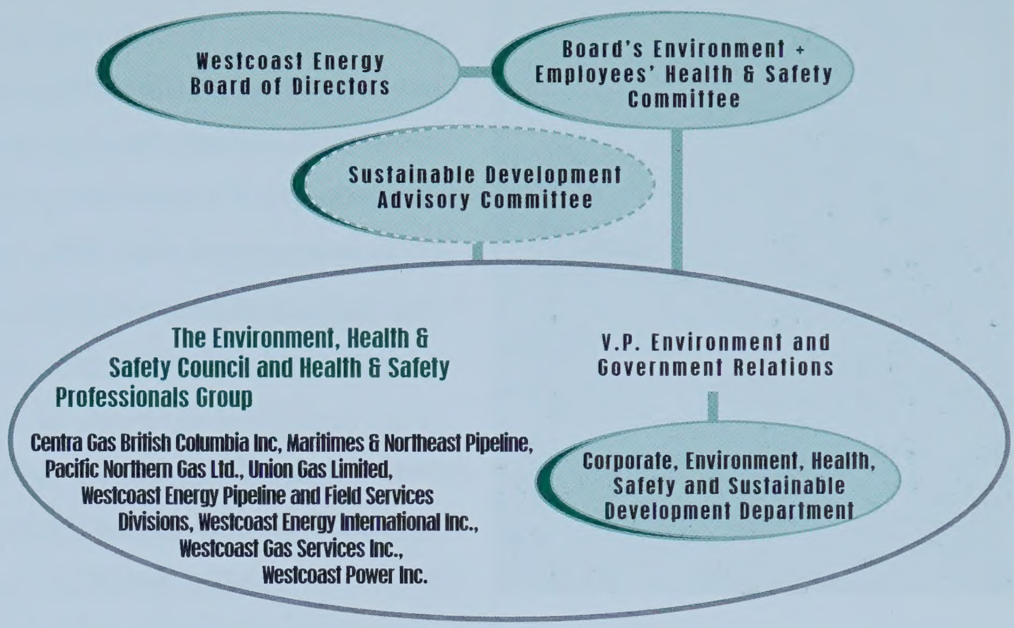
In 1998, Westcoast Energy created a consultative committee to provide recommendations on employment equity. The committee's first task was to conduct a workforce survey to identify the demographics of our workforce. The response rate for all groups that fall under employment equity legislation at Westcoast Energy was an unheard of 92 per cent.

In 1999, the committee's focus will be to identify barriers impeding equal access to hiring, promotion, retention and development opportunities. It will then make recommendations to remove these barriers and address areas of significant under-representation.

Ethical Investment Funds

Ethical investment funds are a good example of the financial benefits that can accrue from supporting sustainable development. Environment-focused ethical funds aim to provide investors with an opportunity to invest in environmentally responsible corporations while obtaining healthy returns. Based on its demonstrated commitment to environmental performance, Westcoast Energy has been included in Desjardins' Environment Fund.

In addition, an increasing number of individual and institutional investors are examining their investments according to rigourous ethical screening criteria such as progressive industrial and employee relations, compliance with environmental regulations and support for communities in which they operate. Companies that meet these criteria may be more attractive to a wider spectrum of investors. In other words, Westcoast Energy's sustainable development achievements could help to ensure the broadest possible appeal within the investment community.


Westcoast Energy Board of Directors
Board's Environment + Employees' Health & Safety Committee
Sustainable Development Advisory Committee
The Environment, Health & Safety Council and Health & Safety Professionals Group
Centra Gas British Columbia Inc, Maritimes & Northeast Pipeline, Pacific Northern Gas Ltd., Union Gas Limited, Westcoast Energy Pipeline and Field Services Divisions, Westcoast Energy International Inc., Westcoast Gas Services Inc., Westcoast Power Inc.
V.P. Environment and Government Relations
Corporate, Environment, Health, Safety and Sustainable Development Department

The Environment, Health and Safety Council and the Health and Safety Professionals Group meet regularly and provide quarterly reports on performance through the Vice President of Environment and Government Relations to the Environment and Employees' Health and Safety Committee of the Board of Directors. The Sustainable Development Advisory Committee refers to the development of the senior executive committee in 1999.

Managing Environment, Health, Safety and Sustainable Development

Westcoast Energy continues to explore how sustainable development relates to our business. During 1998, Westcoast Energy recognized the need to better address issues of sustainable development by integrating a wider variety of issues into our decision-making at the senior management level. We have, therefore, re-examined the manner in which we manage sustainable development and the related issues of environment, health and safety. The result will be some significant changes to our existing management framework.

The Westcoast Energy Sustainable Development Council is being renamed the Environment, Health and Safety Council to more accurately reflect the boundaries of decision-making that exist for the managers who participate in the Council. This Council, together with the Health and Safety Professionals Group, will continue to play a very important role sharing EHS best practices across the group of companies, identifying needs for EHS policies and standards, and developing model programs for adoption by the Westcoast Energy operating companies.

To facilitate senior management engagement in Westcoast Energy's corporate-wide progress toward sustainable development, we made a commitment in 1998 to establish a senior executive sustainable development body in 1999. This group will be responsible for helping to integrate sustainable development considerations with other strategic corporate goals.

Putting these concepts into practice and assisting employees to integrate them into their work requires tools and direction. To that end,

Westcoast Energy has established an enterprise-wide EHS Management Framework. This framework is anchored by the corporate Environmental, Health and Safety Policy adopted by our Board of Directors in February 1998 and includes the following components:

- an EHS Management System Standard and accompanying guidelines;
- an EHS Audit Standard and accompanying guidelines;
- an environmental training program called *Our Environment; Our Responsibility* (OEOR); and
- clear expectations for EHS performance tied to operating managers' performance reviews.

Under this new management framework, Westcoast Energy is currently addressing the following items:

- development of a corporate level audit program;
- implementation of EHS risk assessment procedures;
- development of a corporate crisis management plan; and
- development of common EHS measurement processes.

Across the group of companies, Westcoast Energy is continuing to integrate its management of environment with health and safety:

- Union Gas is committed to a joint EHS management system; and
- Pacific Northern Gas has integrated its environment and health and safety structures under the newly formed Safety, Health, Environment and Emergency Response (SHEER) management program.

In our next review, we will provide an update on any further developments to this important framework.

Putting Energy into Sustainable Development

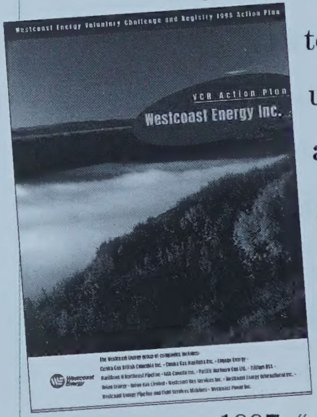
In our 1997 review, we presented five key sustainable development concerns relevant to the oil and gas industry. Building on that discussion, this year we present Westcoast Energy's current sustainable development priorities. Our priorities are not static; they evolve and adapt based on factors, such as:

- new corporate priorities and management frameworks;
- regulatory and government policy changes;
- technological developments; and
- changes in societal values.

Taken together, our priorities reflect the economy, environment and society components of sustainable development. The *Company Reports* section of this review provides specific examples of how Westcoast Energy companies have addressed these priorities.

Climate Change

Over the past decade, governments and industry have been working together to understand and address greenhouse gas emissions and climate change. In December 1997, "developed" and "transition economy" countries agreed to the Kyoto Protocol. The Protocol sets strict limits on global greenhouse gas emissions, with a goal of reducing global emissions



Westcoast Energy Voluntary Challenge and Registry 1998 Action Plan

VCR Action Plan

Westcoast Energy Inc.

by 5.2 per cent below 1990 levels by 2008 to 2012. Canada committed to a six per cent reduction below 1990 levels. In November 1998 in Buenos Aires, the global community strengthened this commitment by agreeing on a work plan and timelines to design the mechanisms needed to implement the Kyoto Protocol.

Meeting the limits agreed to under the Protocol will require the participation and support of a wide array of stakeholders. At the Westcoast Energy group of companies, we are committed to undertaking actions to address greenhouse gas emissions at all stages of the natural gas lifecycle, as well as through offsets and other market-based approaches not directly tied to our own operations.

[Please consult our *Voluntary Challenge and Registry 1998 Action Plan* for more information on our climate change initiatives and emissions reductions. A copy is available electronically at **www.westcoastenergy.com** or contact us for more information (see inside back cover).]

Employee and Public Safety

For more than 40 years, Westcoast Energy has placed an emphasis on high levels of employee and public safety. We understand that the sustainability of our business depends on operating in a manner that is safe to the public and our employees. In short, the health and safety of our stakeholders is a core corporate value that runs throughout our group of companies. In fact, many Westcoast Energy companies have received a variety of awards in recognition of excellent employee and public safety practices.

This corporate value is reflected in a number of areas of the company:

- *Corporate Level* - The Environment, Health and Safety Council, The Health and Safety Professionals Group, and corporate policies, guidelines and management systems;
- *Operating Level* - Occupational health and safety committees, ongoing investments in pipeline safety and maintenance, comprehensive emergency preparedness and awareness plans and policies, and employee training.

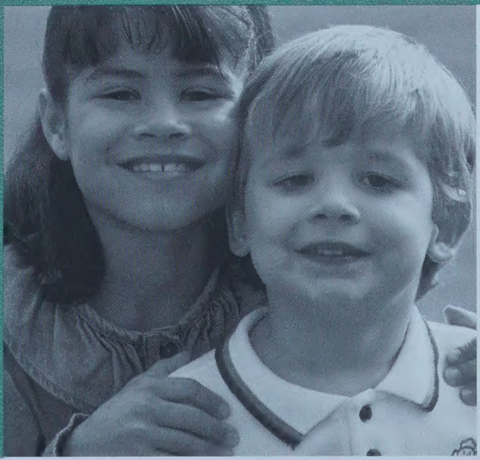
Looking Out for the Community

Union Gas' Operation PAL prevented a serious fire in Sault Ste. Marie in March 1998. Operation PAL stands for Operation Public Alert, a company-wide program that trains participants to be on the look out for people in need of assistance and for signs of crime.

While driving past a business one evening, Roger Marier, a Union Gas service fitter, noticed flames reflecting through the front window of an auto body shop. Stopping his truck, Roger saw a vacuum cleaner on fire inside the shop and immediately called the fire department. Through Roger's vigilant eye, major property damage was averted.

Community Involvement

At the Westcoast Energy group of companies, we believe that our corporate success is directly linked to the success of the communities in which we live and work. Supporting our communities is a sound, long-term investment that can improve the quality of life for everyone.



Westcoast Energy Children's Centre

During 1998, Westcoast Energy made a $150,000 commitment to fund a comprehensive resource centre that will offer community resources to families and children under age five. Known as the Westcoast Energy Children's Centre, the facility was developed by Family Services of the North Shore in partnership with the North Vancouver School Board and others. It will serve an "inner city" population in North Vancouver where support for children and families is most needed.

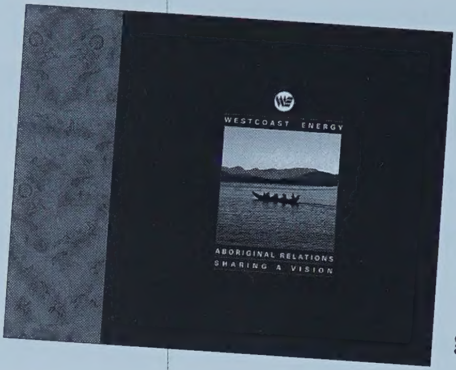
Our group of companies adds value in the communities in which we operate in a variety of ways. We provide products and services, create jobs and contract opportunities, spend operating and maintenance dollars and pay local taxes. We also invest in communities through corporate contributions to not-for-profit organizations.

Westcoast Energy has been responsive to community needs in the areas of health and community services, arts and culture, education, the environment and sports. We also recognize and encourage employee volunteer efforts in all of these areas.

During 1998, the Westcoast Energy group of companies continued to support various endeavours. Our beneficiaries included Vancouver Public Library, Lutherwood Child and Family Foundation, University of Northern British Columbia and its Northern Advancement Program, Environmental Fund of B.C., Vancouver-Whistler 2010 Winter Olympics Bid Society, Calgary Women's Emergency Centre, United Way, Kingston Hospital and Ontario Waste Reduction Week.

Aboriginal Relations

The natural gas pipelines and distribution systems of the Westcoast Energy group of companies cross the lands of many Aboriginal communities. In the past, the Westcoast Energy group of companies has worked with Aboriginal communities and organizations to further mutual interests. Our involvement with Aboriginal peoples is based on the principle that we acknowledge their rights, and respect their environmental, cultural and economic concerns. Clearly, productive working relationships deliver benefits to both parties. In recent years, both Aboriginal communities and Westcoast Energy companies have experienced great change, creating a positive new climate for Aboriginal business relations. For this reason, we engaged in an extensive period of consultation with Aboriginal communities in areas where we conduct our business. Based on these discussions, we released our commitment for Aboriginal relations in *"Sharing A Vision"* in 1998. This document presents corporate principles, objectives and goals that are crucial to mutually beneficial relations with Aboriginal peoples in Canada. To bring this vision to life, we are working with Aboriginal organizations to create employment, business development alliances and educational opportunities.



Westcoast Energy is developing productive relationships with First Nations, particularly with respect to business development alliances and educational opportunities.

In 1998, the Westcoast Energy group of companies undertook a major planning process that includes the creation of new Aboriginal Relations positions across the country, beginning in 1999. This important step will help to ensure that our goals for Aboriginal Relations are realized.

Exploring Alternative Policy Approaches

In the past, governments created a variety of "command and control" style regulations to ensure that corporations operated within socially-acceptable boundaries. They passed laws, set standards and enforced regulations, particularly with respect to environment, health and safety issues. Rarely, however, has this approach proven to be the most cost-effective way to attain the desired objectives. Rather, in jurisdictions around the
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We're Listening

Your views help shape Westcoast Energy's decisions today and into the future.

Use the pre-paid mail-in card at the back of this document to provide comments on this publication and suggestions for future editions.

Examples of our exploration include our participation in a Canada-wide pilot program for greenhouse gases emissions trading (GERT-Greenhouse Gas Emissions Reduction Trading) and a multi-pollutant pilot program in Ontario (PERT-Pilot Emissions Reduction Trading).

More broadly, Westcoast Energy successfully negotiated a *Framework for Light-handed Regulation* in 1998. The Framework will allow Westcoast Energy's federally regulated gathering and processing facilities to negotiate contracts for service tailored to meet the commercial needs of both Westcoast Energy and its customers. The Framework means that commercial arrangements will replace regulatory models that govern our relationships with our customers, better reflecting the rapidly changing competitive business environment in which Westcoast Energy operates.

Based on the success we have met thus far with alternative policy approaches, we will continue to explore areas where both market-based approaches and negotiated agreements cost-effectively meet public policy objectives, while still supporting our sustainable development goals.

We want to hear from you.

For your convenience, we have enclosed a comment card in this document. Please use it to provide your valuable input for future editions of this review, or to order additional copies. You may also direct your comments to:

Wayne Soper
Vice President, Environment and Government Relations
Westcoast Energy Inc.
1333 West Georgia Street
Vancouver, British Columbia
Canada V6E 3K9

email: **wsoper@wei.org**

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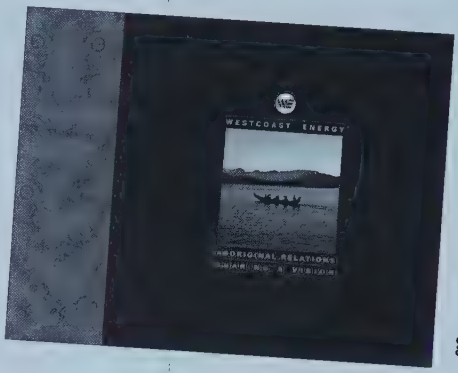

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Check us out on the Web.

For more information about Westcoast Energy and our efforts in sustainable development, visit our Web site a

www.westcoastenergy.com

Westcoast Energy

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Westcoast Energy actively supports alternative policy approaches that result in saving money without compromising service quality, health, safety or the environment. For this reason, Westcoast Energy has directed significant resources at exploring and implementing alternative approaches.

Examples of our exploration include our participation in a Canada-wide pilot program for greenhouse gases emissions trading (GERT-Greenhouse Gas Emissions Reduction Trading) and a multi-pollutant pilot program in Ontario (PERT-Pilot Emissions Reduction Trading).

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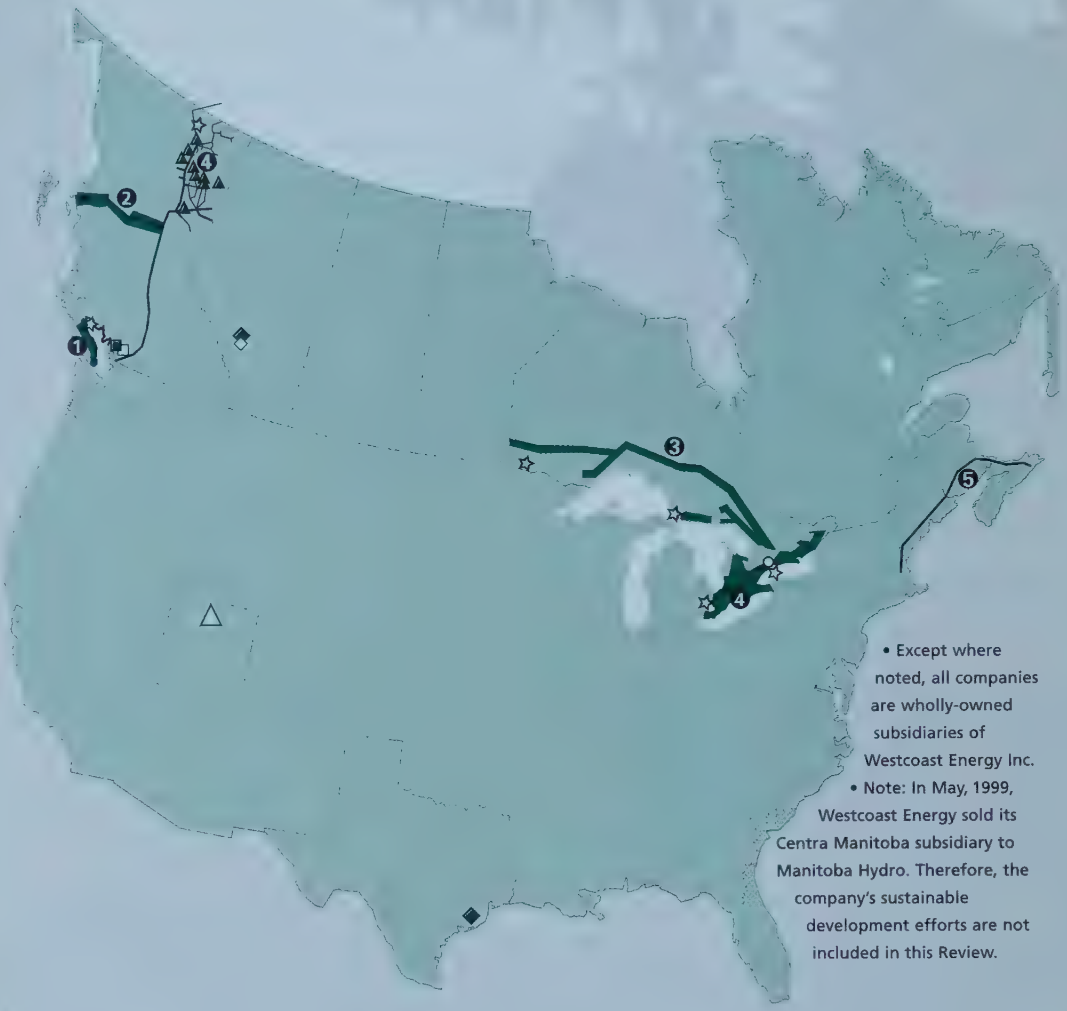
Vice President, Environment and Government Relations
Westcoast Energy Inc.
1333 West Georgia Street
Vancouver, British Columbia
Canada V6E 3K9

email: **wsoper@wei.org**

Company Reports

Beginning in this section, we report on a selection of environment, health, safety, and community initiatives undertaken by Westcoast Energy operating companies over the past year. These operating companies, as well as our non-traditional subsidiary companies (offering energy services for the increasingly deregulated and competitive energy marketplace), are profiled below.



- Except where noted, all companies are wholly-owned subsidiaries of Westcoast Energy Inc.
- Note: In May, 1999, Westcoast Energy sold its Centra Manitoba subsidiary to Manitoba Hydro. Therefore, the company's sustainable development efforts are not included in this Review.

Centra Gas British Columbia Inc. transports and delivers natural gas to more than 63,000 residential, commercial and industrial customers on Vancouver Island and the Sunshine Coast, northwest of Vancouver. Centra BC also provides piped propane to Whistler, B.C. ①

Maritimes & Northeast Pipeline Westcoast Energy owns 37.5 per cent of the Maritimes & Northeast Pipeline project and is overseeing the construction of the Canadian portion of the pipeline. ⑤

Pacific Northern Gas Ltd. transports and delivers natural gas to more than 38,000 residential, commercial and industrial customers in west-central and northeast British Columbia. Westcoast Energy Inc. owns 41 per cent of PNG and controls 100 per cent of the voting shares. ②

Union Gas Limited provides natural gas delivery, and storage and transmission services to more than one million residential, commercial and industrial customers in Ontario. ③

Westcoast Energy

Westcoast Energy Pipeline and Field Services Divisions

own and operate an integrated natural gas pipeline system that gathers, processes and transports gas from northeast B.C. to markets primarily in southern B.C. and northwestern United States. The integrated pipeline system includes 3,000 kilometres of gathering pipelines, five processing plants, and more than 2,600 kilometres of transmission pipelines. ④ ▲

Westcoast Energy

Westcoast Gas Services Inc.

owns and operates four unregulated gas processing facilities and associated gathering and sales gas pipelines in northeast British Columbia. □

Westcoast Energy

Westcoast Energy International Inc.

employs the technical and commercial skills of its parent company in pursuing energy-related projects in select international locations. It is currently active in the Asia-Pacific Region and Mexico. ■

Westcoast Power

Westcoast Power Inc.

is one of Canada's largest independent power producers with more than 400 megawatts (MW) of cogeneration power in operation and additional facilities under construction. ☆

Non-traditional subsidiaries:

ENGAGE

Engage Energy

is an unregulated merchant and management services business venture, owned jointly by Westcoast Energy and The Coastal Corporation, an oil and gas company with headquarters in Houston, Texas. Engage markets, sells, purchases, exchanges and trades natural gas and electric power on a physical or financial basis. It also provides advisory and risk management services relating to the marketing, procurement, consumption, and use of natural gas and electric power. ◆

NATURAL GAS EXCHANGE

NGX Canada Inc.

operates an electronic commodity exchange for natural gas at four Canadian market centres. ◇

Trillium USA

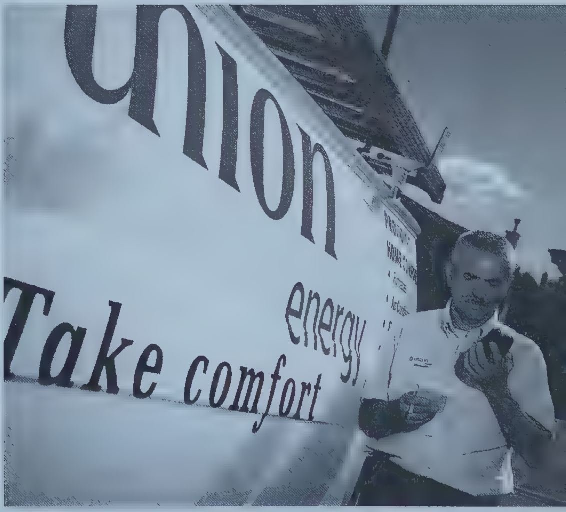
Trillium USA Inc.

provides operational experience, technical expertise, financing and energy supply to the growing international market for natural gas vehicles in the U.S., Canada and Latin America. △

union energy

Union Energy Inc.

offers a complete range of services including energy retailing, energy management, and equipment sales, rentals, financing, and servicing. ○



Centra Gas

Centra Gas British Columbia Inc. (Centra BC)

At Centra BC, environment, health and safety (EHS) are the responsibility of facility management, assisted by EH&S personnel at head office.

Protecting Wildlife and Aquatic Habitat

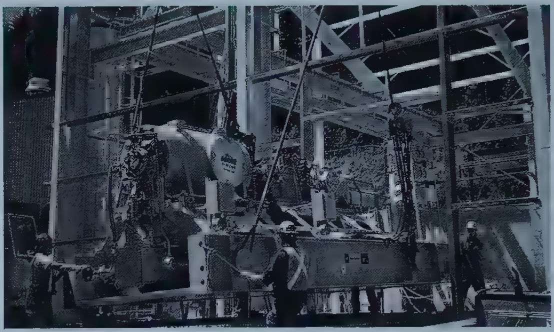
In order to protect valued habitat within the property boundaries of a natural gas compressor station, Centra BC worked with the Ministry of Environment, Lands and Parks to identify 3.85 acres (40 per cent of the site) of sensitive habitat that will be protected in perpetuity by a covenant. These lands support both important aquatic and wildlife, and will provide a travel corridor for wildlife in the area.

At [illegible]ation, given the fishery value of the local rivers, Centra BC implemented extraordinary sediment controls during site clearing and preparation to eliminate any sediment impacts to adjacent rivers. All control works functioned extremely well, even though the area experienced several severe rainfalls.

Developing Environmental Skills

Centra BC completed its delivery of the *Our Environment: Our Responsibility* training programs to targeted groups throughout the organization. During the training sessions, employees indicated the need for additional "hands-on" environmental skills training. Of particular interest were areas such as archaeological sensitivity, incident/spill response, work in-and-about watercourses, and work around trees.

To address this need, later in 1998, Centra BC delivered a pilot training session to clarify how to tailor future training in these areas. Feedback from the pilot will be incorporated into 1999 training sessions for all construction and customer service personnel, planners and contractors.



Centra BC is installing an additional compressor station at Coquitlam to meet increasing customer demand for clean-burning natural gas.

Part of the pilot was developed to support the delivery of a revised Standard Practice Instruction (SPI) for archeological sites. The SPI implements mitigation and avoidance controls at all levels of company activities – from planning to construction – and integrates a new archeological Geographic Information System (GIS) coverage to complement the process.

Progress on 1997 Plans-Centra BC

New Technology to Reduce Nitrogen Oxide Emissions In November 1998, Centra BC commissioned a third compressor at its Coquitlam compressor station. The new compressor uses new dry low emissions (DLE) technology to reduce NO_x (oxides of nitrogen) emissions. A second compressor station, planned for start-up in late 1999, will use the same technology.

Environmental Management System Update In 1998, a consultant assessed Centra BC's environmental management system (EMS) in comparison to the recognized International Standards Organization (ISO) 14000 standards. This is the third external assessment conducted since the EMS was implemented in 1994. While progress continues to be made, a number of improvement areas were noted and changes are being implemented to further improve the system.

As part of its continual improvement efforts, Centra BC undertakes periodic reviews of its Standard Practice Instruction Policies and Procedures, and will do so again in 1999. In addition, the Company will also be conducting a structured risk assessment to more clearly identify and document its significant activities and their related environmental impacts. The company has also implemented an EMS software program to monitor, on an ongoing basis, its EMS development.

Environmental Cost Tracking Centra BC has implemented rudimentary environmental cost tracking procedures. These procedures are being refined based on the development of corporate, industry and regulatory expectations.

Revitalizing Fish Habitat

In 1998, in addition to its normal restoration activities, Centra BC cooperated with the Haig-Brown Society to assist its efforts at restoring Kingfisher Creek in Campbell River. Working with the society, Centra BC relocated a distribution line to assist in revitalizing the creek and to create a large new creek channel for spawning salmon. Centra BC provided design services and supervision to the project while the society provided the required equipment and an operator.

Supporting Our Communities

Centra BC continues to be proactive in its support of a number of community activities. In addition to its involvement in many local environmental projects , the company takes great pride in its leadership role in supporting the local United Way campaign.

Centra Gas BC's construction techniques are designed to maintain, and where possible, enhance local environmental attributes.

Maritimes &Northeast Pipeline

Maritimes & Northeast Pipeline (M&NP)

At M&NP, environment, health and safety issues are managed by EHS professionals. To address EHS issues at a corporate level, M&NP has developed an Executive EHS Committee. Senior managers participate on the Committee.

In November 1999, M&NP, a joint venture between Westcoast Energy and other partners, will begin to bring natural gas to markets in Atlantic Canada and the northeast United States. Sustainable development considerations have figured prominently in this project's planning and implementation:

Construction and Environmental Monitoring

During construction of M&NP's mainline starting in the summer of 1999, Environmental Inspectors will be on site to oversee and ensure compliance with standards and practices. A comprehensive Environmental Protection Plan has been developed for the mainline and will be used by Environmental Inspectors to perform their duties.

Focusing on Greenhouse Gases and Air Quality

In Atlantic Canada, coal and oil are currently used to meet a significant proportion of the region's energy requirements. By developing a natural gas infrastructure in Atlantic Canada, M&NP will make economical natural gas more widely available. This will provide the opportunity for reduced greenhouse gas emissions and improved air quality throughout the region.

A variety of innovative sustainable development considerations have been integrated into the Maritimes & Northeast Pipeline project.

Inviting Aboriginal Input

M&NP has been working closely with the Aboriginal communities in Nova Scotia and New Brunswick to identify and develop meaningful business opportunities. To date, clearing subcontracts have been awarded to two Aboriginal firms in Nova Scotia and New Brunswick. Other opportunities for Aboriginal development are being identified and may include material supply and construction services and long-term pipeline maintenance. Aboriginal communities are also working closely with M&NP staff on environmental issues. Their input is being sought on environmental assessment, archaeological work and environmental monitoring, particularly in those areas near the pipeline route that may have cultural or historic importance.

Negotiations have also taken place with all Aboriginal leaders in Nova Scotia and New Brunswick and agreements are in place with all but one of them. Associated funding will ensure meaningful input and the liaison needed to facilitate significant economic benefit.

Clearing work for the M&NP project was completed in the early part of 1999. Construction begins in the spring of 1999.

[illegible] Economic Development

Employment opportunities with the project are significant. The offshore portion of the project is expected to generate about 6,000 jobs and another 11,000 indirect jobs while the pipeline portion will create [illegible] direct and indirect jobs. Where [illegible] local firms, suppliers and [illegible] are being employed. [illegible] when the project [illegible] operation, the availability of natural gas in the region is expected to prompt industrial development along the pipeline route.

Transferring Technology and Skills

The project involves an enormous technology transfer. Local unions, with government support, are bringing technical experts from Alberta and Ontario to train local members in the Maritimes. When construction is completed, the local workforce will have the skills and expertise to take on new projects, such as the construction of lateral transmission lines from the main pipeline, and distribution networks.

Pacific Northern Gas Ltd. (PNG)

Environment, health and safety are the responsibility of operations management, assisted by health and safety professionals in the field and environment professionals at head office.

Sharing Pipeline Rights-of-Way

In recent years, First Nations and environmental groups in the Peace River area have expressed concern over the land-use impacts resulting from pipeline rights-of-way. Concerns are focused on the impacts that the growing density of pipeline corridors may have on wildlife habitat and First Nations' traditional use of land. In response to these concerns, PNG and Westcoast Energy are increasingly sharing pipeline rights-of-way with one another and other developers of transportation corridors. By working together, the sharing of corridors will help to reduce the impacts of natural gas transmission and distribution without jeopardizing public safety.

Working with First Nations

As the gas distribution system expands into rural areas, PNG is striving to provide gas service to Aboriginal communities in north central and northeastern B.C. During 1998, the company extended a gas main to the Gitaus Reserve near Terrace, providing access to gas service for 45 residences of the Kitselas Band. As similar efforts occur, PNG will encourage the involvement of Aboriginal businesses and communities in its activities.

Reducing Emissions in the Fort St. John Airshed

Stringent emission restrictions have encouraged B.C. oil and gas producers to switch to cleaner-burning fuel sources. Through the expansion of its gas transmission and distribution system into the oil and gas production areas, PNG has helped participating producers reduce the total sulphur emissions to the airshed by more than 1,000 tonnes per year over the past three years.

Pacific Northern Gas is working with Westcoast Energy Pipeline and Field Services Divisions to share rights-of-way where facilities allow.

Increasing Energy Awareness

Since 1996, PNG has participated in the Energy Aware Committee, a group of private and public agencies promoting the benefits of Community Energy Planning (CEP) in the design and development of municipalities and neighbourhoods. The mandate of the Committee is to educate local governments on how CEP will lead to the development of sustainable communities by saving energy and improving air quality. Work to date includes a CEP guide and tool kit for planners and a CEP Case Study for the City of Kamloops.

Union Gas Limited (Union Gas)

Management of environment, health and safety is facilitated by EHS professionals throughout Union's service area.

Contracting Under the Occupational Health and Safety Act

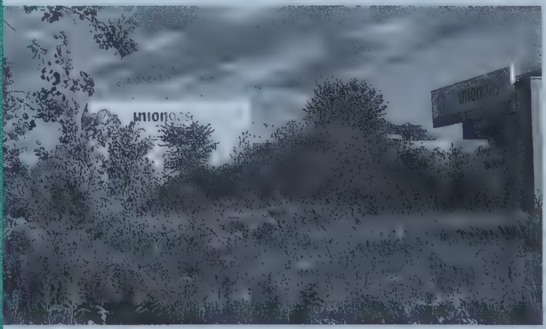
In early 1998, Union Gas launched a new approach to managing its contractor work force in Ontario. The new policy requires that all contractors complete a detailed Pre-Qualification Assessment (PQA) about how they manage health and safety in their organizations. This policy has increased contractors' awareness of their legal obligations and has resulted in improved health and safety practices. Based on initial feedback and results, the policy will be revised and then supported by a formal training package. Union Gas will also complete an orientation program for smaller contractor firms that do not have formal health and safety programs.

Facilitating Modified Work

Union Gas provides meaningful and productive work to disabled employees who, because of occupational or non-occupational injury or illness, are unable to perform their regular work. Modified work matches an individual's restrictions and abilities with the demands of the job. It allows employees to use their skills, while maintaining the integrity of the job and the profitability of the work performed. This successful program has decreased the number of workdays lost as a result of injuries on the job, as well as days lost for illness and non-occupational injury.

Adopting Property Naturalization

The Union Gas Brantford Division Customer Service Centre was recognized at the 1998 State of the Lakes Ecosystem Conference for its efforts to improve the Great Lakes ecosystem through its property naturalization program. The Brantford facility features landscaping that emphasizes the natural habitat of the area, including a preserved sedge marsh and a tall grass prairie.



The landscaping at Union Gas' Brantford Division Customer Service Centre is designed to reflect the local natural habitat.

Progress on 1997 Plans - PNG

EHS Audit Program In 1998, PNG started implementing the recommendations from its 1997 EHS safety audits. Recent developments include the formation of an Environmental Management System (EMS) Committee. With representation for each region and business function of PNG, the EMS Committee will provide input throughout the company on the continuous development of the EMS.

Spill Training The company continues to work on the development of a spill training program. Of particular interest is spill prevention for pipeline construction in or near watercourses. PNG will pursue hands-on spill response training that will give employees the opportunity to use spill response equipment in the controlled scenario.

Environmental Provisions in Contracts With each new project, PNG is reviewing and, when needed, revising the environmental protection provisions for pipeline construction contracts that were developed in 1998.

Reaching Out to the Community

Union Gas is active in a number of community-based programs that promote energy efficiency and raise awareness about environmental issues with children.

Learning to be Water Wise and Energy Efficient provides students and their families with a better understanding about water and energy usage in their home, and the opportunities that exist to reduce energy use.

Kids Club teaches children about the impact that their behavior can have on the environment. Children receive newsletters and tips that help educate them about the wise use of energy in their homes. This year, the program added the *Kids Club Energy Patrol*, which encourages children to complete energy saving "missions" for points and prizes.

Union Gas' community education programs are geared to both elementary and secondary school students.

Union Gas also participates in a mentoring program for Ontario high school students that is sponsored by the provincial government. Combining business experience with classroom education, the program uses Internet-based question and answer and dialogue sessions to augment academic assignments in a range of sustainable development topics.

Recovering Materials

In October, Materials Resource Recovery (MRR) opened a facility in Cornwall, Ontario. Developed with the support of Union Gas and Enbridge Consumers Gas, the facility is the only one of its kind in North America. It uses thermal oxidation to destroy mercaptan waste in an environmentally responsible manner. Other existing technologies produce large quantities of liquid waste, requiring additional treatment and safe disposal. In addition, these alternatives do not guarantee complete removal of residual odour from the tank. By the end of 1998, almost half of Union Gas' retired tanks, which had been stored at secure stations in the field, were treated at the facility.

Employee safety is a key priority in Union Gas' approach to sustainable development.

Progress on 1997 Plans - Union Gas

Contaminated Site Management Plan In 1998, Union Gas completed a Contaminated Site Management Plan for six facilities located in southern Ontario. This initiative was undertaken to ensure that Union Gas is up-to-date in its environmental preparedness and due diligence for the contaminated sites for which it has assumed ownership over the years.

Completion of this project required the development of individual Environmental Management Plans (EMPs) for each site. Some of the steps that were taken included a background information review, assessment of risk liability and a cost-benefit analysis of potential risk reduction alternatives. Once the details of the management plans for each site were finalized, the sites were compared and prioritized to establish an overall implementation schedule and budget.

Implementation of the EMPs for three of the six sites began in the fall of 1998. By 2001, EMPs will be completed for all of the sites included in this project.

Reducing Emissions Through New Building Construction The construction of new buildings at Union Gas continues to evolve as new construction practices and equipment become available to ensure continued commitment to energy conservation and emissions reduction. The recent completion of two new offices in Cornwall and Thunder Bay provided opportunities to calculate the emissions reduction benefits of high efficiency technology, such as 95 per cent efficient boilers, 90 per cent efficient water heaters, engine driven heat pumps, insulation and control technologies. The calculated carbon dioxide emissions for these buildings are 73 tonnes and 924 tonnes, respectively.

The application of energy efficient technologies complements the functional requirements of the Union Gas offices. In the future, applications of new processes and systems will further improve energy efficiency and emissions reduction in Union Gas buildings.

Fueling New Relationships

In November 1998, Ontario Hydro and Union Gas marked the successful conversion of two boilers to natural gas and the required facilities to serve the load at the Ontario Hydro Lennox Generating Station. Union Gas completed the 17-kilometre gas infrastructure to serve the conversion six months ahead of schedule and without a single lost time accident.

In the past, the Lennox Generating Station used only residual oil to power its four generating units

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Westcoast Energy International Inc. (Westcoast International)

In pursuing international projects, Westcoast International relies on the environment, health and safety expertise of consultants and the corporate EHS and Sustainable Development Department.

Integrating Power Generation

Westcoast holds a 43 per cent

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Contributing to Community Development

The Cantarell Community Development Program is an initiative of Westcoast International and its partners in the Cantarell Nitrogen Project. Its goal is to contribute to long-term economic and social development in the communities of the Atasta Peninsula on the south coast of the Gulf of Mexico. The Program includes self-help projects that provide technical support and improve the quality of life for local residents, and supports small income-generating business activities that strengthen the local economy. The program encourages Mexican authorities and international organizations to provide additional sponsorship of development initiatives.

Reducing Air Emissions in Mexico

In August 1998, an international consortium in which Westcoast has a 45 per cent interest, was awarded a contract by a subsidiary of the national oil company of Mexico to provide 250 MMcf per day of offshore gas compression and liquids recovery. The facility will be located in the Bay of Campeche, Gulf of Mexico, and will provide services to the Cantarell oil field. Completion and operation of the project will result in preventing the flaring of up to 175 tonnes per day of sulphur.

Progress on 1997 Reports - Westcoast International

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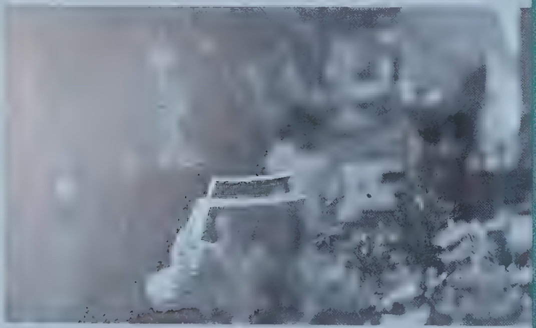

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In the past, the Lennox Generating Station used only residual oil to power its four generating units. Now two of the units have been converted to dual-fuel boilers capable of using both natural gas and oil.

By using natural gas during peak demand periods, the conversion project will help reduce carbon dioxide emissions from the station by 30 per cent, nitrogen oxide (NO_x) by 20 per cent and will virtually eliminate sulphur dioxide emissions.

Responding to Spills

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Integrating Power Generation

Westcoast holds a 43 per cent interest in P.T. Puncakjaya Power (PJP), which owns and operates an integrated power generation plant of approximately 388 megawatts, a related transmission line and associated facilities in Irian Jaya, Indonesia. The facilities conform to all regulatory air emission and other environmental requirements, and strict monitoring processes ensure that operations meet and exceed these standards. PJP has implemented a comprehensive safety and training program and has had no lost time accidents since 1994.

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Westcoast Energy

Westcoast Energy Pipeline and Field Services Divisions (Westcoast Pipeline and Field Services)

Environment, health and safety are the responsibility of area managers, supported by local Occupational Health, Safety and Environment Committees along with company environment, health and safety professionals.

Protecting Fish and Fish Habitat

One of the Divisions' projects this past year involved the replacement of 93 metres of corroded pipeline running underneath a creek south of Fort Nelson, B.C. In an effort to protect sculpin, suckers and grayling fish and fish habitat, Westcoast Energy incorporated the following techniques:

- diverting the creek around the pipe replacement area (in consultation with provincial and federal ministries);
- building a temporary bridge so that the movement of equipment did not disturb the creekbed;
- lining the diversion ditch with a protective sheet;
- keeping the top layer of creek bed material separate so that it could be replaced upon completion; and
- replacing soil cover and rocks and planting trees to provide erosion protection and shade for fish.

These environmental impact mitigation techniques are increasingly proving their value as a means to ensure operational efficiency while supporting community environmental values.

Building Environmental and Safety Recognition

Three industry groups honoured Westcoast Pipeline and Field Services for the Division's exemplary environment and safety record. These awards signal that Westcoast Energy's approach to environment, health and safety do deliver tangible and measurable results.

The Canadian Gas Processors presented an award to the Prince George Sulphur Products facility to commemorate five years without a lost time accident. In addition, the Sikanni plant was recognized for operating for two years without a lost time accident. The Alberta Petro-Chemical Safety Council also recognized Pipeline - Central Region for zero lost time accidents in 1997.

Preventative pipeline maintenance is a central part of Westcoast Pipeline and Field Services' approach to employee and community safety.

At its annual general meeting in May, the Canadian Energy Pipeline Association presented Westcoast Pipeline and Field Services with two awards. The *Environment Achievement Award* recognized Westcoast Energy's excellence in managing liquids at its natural gas booster stations. The *Safety Management Award*, adjudicated by Occupational Health and Safety Students at the British Columbia Institute of Technology, recognized Westcoast's excellence in managing occupational health and safety.

Supporting Aboriginal Youth

Westcoast Pipeline and Field Services participates in a variety

Progress on 1997 Plans - Westcoast Pipeline & Field Services

Pollution Prevention The Fort Nelson Pollution Prevention Plan was finalized in 1998. A comprehensive environmental review was completed, options were identified to address priority areas and an action plan was developed. A key action item identified was scoping out the feasibility of acid gas re-injection for greenhouse gas reduction.

Fall Protection Site assessments for fall hazards are now complete throughout the Pipeline and Field Services areas. The program is progressing with the continued development of fall protection plans, equipment upgrades and purchases, and training.

Emergency Preparedness The Westcoast Energy Geographical Information System (GIS) emergency response application has been developed. This module allows for more effective maintenance of specific information on communities, residents and Westcoast Energy facilities identified for emergency preparedness and response.

of B.C. Aboriginal youth events focusing on education and career advancement. In 1998, Westcoast Energy was a corporate sponsor for the Aboriginal Youth Career Fair held in Vancouver. The company hosted a display booth, provided logistics volunteers and made two presentations to youth in attendance.

Westcoast Energy also sponsored and participated in the *Treaty 8 Tribal Association Career Days* and regional *Visions for the Future* conferences.

Under the theme "Energy Careers for Tomorrow," Westcoast Energy's message at these events focused on natural gas employment opportunities for Aboriginal youth, the skills required to seize these opportunities, and various strategies and programs available.

Supporting the Community

Westcoast Pipeline and Field Services actively supports local initiatives that contribute to building strong communities in British Columbia. For example, in 1998, Pipeline and Field Services donated funds to the Fort St. John Victim Assistance Program. The program provides victims of crime and tragedy with emotional support and information services. Trained personnel, in conjunction with police officers, deliver the service. This year's initial $5,000 donation is part of a commitment to support the program with $15,000 over three years.

Improving Emergency Preparedness and Response

Emergency preparedness and response received significant attention in Pipeline and Field Services in 1998. New emergency response plans were completed for Fort Nelson, Grizzly Valley and Fort St. John gathering and processing areas. Plans were also completed for the northern, central and southern transmission corridors.

Westcoast Pipeline and Field Services integrates an award-winning approach to environment, health and safety into its daily operations.

Supporting these plans, Occupational Health Safety and Environment committees completed table-top emergency exercises and key operations personnel completed Incident Command System training.

Westcoast Energy

Westcoast Gas Services Inc. (WGSI)

Environment, health and safety are the responsibility of facility managers. They are supported by the Occupational Health, Safety and Environment Committees at each facility, along with environment, health and safety professionals located in Fort St. John, B.C.

Reducing Emissions Through Acid Gas Reinjection

Westcoast Gas Services Inc. (WGSI) employs acid gas injection technology at its Jedney gas processing plants (Jedney 1 and Jedney 2) to dispose of acid gas by-products recovered through the processing of raw gas. These by-products, primarily hydrogen sulfides and carbon dioxide, are re-injected in isolated gas reservoir formations, resulting in reduced emissions of sulphur and greenhouse gases. Disposing of greenhouse gases in this manner is significant because it results in an incremental decrease in greenhouse gas emissions.

Further, it offers the potential for emission reduction credits. The emission reduction credits result from:

- avoided emissions due to re-injection of carbon dioxide

Progress on 1997 Reports - WGSI

Oil Recycling at Highway Plant WGSI installed oil filtration recycling equipment at its Highway Plant. On average, this results in the recycling of three drums of compressor oil per month.

originating with the raw gas stream; and

- avoided emissions as a result of not being required to operate an elemental sulphur production process due to re-injection of hydrogen sulfide associated with the raw gas stream.

The credits are net of emissions required to operate the acid-gas re-injection facilities.

With the assistance of Westcoast Energy's EHS and Sustainable Development Department, WGSI has begun to examine opportunities to participate in a trade of emissions reduction credits attributable to the Jedney processing plants. Jedney processing customers have also expressed interest in participating in a collaborative way with WGSI in this process. WGSI will continue to evaluate the opportunity for advancing a trade with potential industry partners.

Westcoast Power

Westcoast Power Inc. (Westcoast Power)

Each Westcoast Power facility is responsible for environment, health and safety.

Implementing Dry, Low Emissions (DLE) Technology

Whitby Cogeneration Limited Partnership, 50 per cent owned by Westcoast Power, commissioned the world's first Rolls Royce Industrial Trent engine in May of 1998. This is the largest and most efficient aero-derivative engine on the market, with an International Standards Organization (ISO) rating of 47.5 Megawatts (MW) (maximum output of 58.5 MW at site conditions) and a simple cycle efficiency of 42 per cent. The engine is currently running with NO_x emissions of 50 to 60 parts per million (ppm), compared to an unabated engine that would operate with emissions of 200 to 250 ppm. Rolls Royce has, however, guaranteed NO_x emissions of less than 25 ppm and is diligently developing its technology to meet this level.

Westcoast Power's cogeneration projects use energy more efficiently by simultaneously generating electricity and process steam.

Upgrading Technology at Fort Frances

Upgraded combustion parts in the Westinghouse combustion turbine at Fort Frances have allowed an increase in firing temperature. This modification improves the electricity generating capacity of the unit as well as its operating efficiency. A significant reduction in heat rate (fuel to power ratio) has been realized, resulting in a lower unit consumption of fuel gas and reduced CO_2 emissions.

Building Relationships With First Nations

The development of the 250 MW Island Cogeneration Project at Campbell River has provided a unique opportunity for Westcoast Power and the Campbell River First Nations community to develop a mutually beneficial relationship.

The application process for the Project Approval Certificate involved consultation with the First Nations whose traditional territories are located in the area of the project site. In addition, a review of socio-economic, health, heritage and cultural impacts led to strong First Nations' endorsement of the project.

During construction, the project will provide opportunities to local First Nations for apprenticeships, employment and contracting. Sponsorship of First Nations' sport, cultural and heritage activities is also emerging from the developing relationship.

Progress on 1997 Reports - Westcoast Power

Fort Frances Glycol Spill Containment Glycol is used at the Fort Francis Cogeneration Plant to heat the inlet air to the gas turbine in order to prevent ice formation. A system to contain glycol spills around the inlet heating facility has been recently completed. This system will help to reduce the loss of glycol and any associated upsets to the wastewater treatment plant.

Environment, Health and Safety Policy Statement

Westcoast Energy Inc., including its subsidiary companies, is committed to protecting the environment and maintaining public and employee health and safety throughout all phases and locations of operations and construction activities both domestically and abroad.

In meeting this commitment, Westcoast is guided by the following key principles:

SUSTAINABLE DEVELOPMENT
Environmental, social and economic considerations will be integrated into the processes of planning, construction and operations to ensure that the environment and human needs are supported both in the present and for future generations.

ENVIRONMENT, HEALTH, AND SAFETY RESPONSIBILITY
Environmental protection, health, and safety are considered to be both corporate and personal responsibilities for Westcoast companies and all their employees.

Further to these principles Westcoast companies will:

- **Policies and Procedures**: Develop and maintain corporate policies and procedures that promote health, safety and environmental protection.

- **Employee Training:** Provide training to support employee responsibilities with respect to environment, health and safety.

- **Communication:** Maintain regular communications with employees, government agencies and the public on environment, health, and safety concerns and issues.

- **Responsibility:** Design, construct, operate, and decommission facilities in a safe and environmentally responsible manner and in consultation with affected parties.

- **Mitigation:** Minimize and mitigate adverse effects of operations and construction on the environment and local communities.

- **Monitoring:** Conduct environment, health, and safety monitoring to identify possible adverse effects and ensure regulatory compliance of company activities.

- **Efficiency:** Use energy and resources efficiently and effectively.

- **Waste Management:** Manage wastes in a safe and efficient manner, and reduce, recycle, and re-use materials where feasible.

- **Emergency Response:** Prepare for, and respond to, emergencies in a timely and effective manner and remedy any environmental damage resulting from company activities.

- **Reporting:** Provide timely reports to government, employees, and other interested parties on environment, health, and safety performance issues.

- **Compliance:** Comply with, or exceed, applicable environment, health, and safety laws and regulations, as well as appropriate corporate and industry standards, policies, and procedures.

- **Regulatory Consultation:** Consult with government agencies to provide input into environment, health, and safety legislation and policy.

- **Research:** Support scientific investigation and technological innovation to enhance health, safety, and environmental protection within the industries within which the Westcoast group of companies operate.

Michael Phelps, Chairman and CEO
April 9, 1998

Guiding Principles for Sustainable Development

Westcoast Energy Inc. is committed to Sustainable Development. We have established Guiding Principles to assist us in realizing the long-term environmental and economic responsibilities and opportunities that Sustainable Development presents, within our organization and in the communities that we serve. We are confident that the thoughtful and creative application of these principles to our business activities will secure us a prominent role in the energy services future, and ensure the corporation's competitiveness and long-term goals are supported and advanced.

INTEGRATED PLANNING AND STAKEHOLDER CONSULTATION

Sustainable development as a corporate priority. Environmental and socio-economic considerations will be integrated into all aspects of corporate activities, including the planning, construction, operation and decommissioning of facilities.

Shared responsibility. Decision-making with respect to ongoing operations and project development will provide for the participation of all relevant stakeholders.

Information exchange. Relevant information relating to environmental and socio-economic matters will be exchanged with stakeholders and communities in an ongoing and timely manner.

Life cycle costing. The full range of costs incurred by the company and society over the useful life of the products or services being used or offered will be identified and considered in the planning, construction, operation and decommissioning of facilities.

ENERGY AND MATERIALS CONSERVATION AND MANAGEMENT

Precautionary approach. When impact assessments demonstrate a strong probability of serious and lasting socio-economic or environmental effects, the project will be modified such that impact mitigation will be ensured.

Energy and material efficiencies. Energy and material consumption will be optimized by designing efficiencies into process and facility development and operation, and applying pollution prevention principles to manage waste streams.

Product and service demand management. Products and services offered to our customers will be developed and managed in a manner that puts priority on minimizing energy consumption, emissions and other environmental effects, and optimizing energy consumption at the point of end-use.

Ecosystem integrity. Healthy ecosystems are understood to be a prerequisite to the strength and long term well-being of the environment and economy.

SCIENCE AND TECHNOLOGY

Scientific rigour. Decision-making relating to environmental protection will be based on the best information and scientific understanding available.

Appropriate technologies. Initiatives will be undertaken to identify, research, develop and integrate technologies that support improved environmental performance and competitiveness.

Sustainable Development Key Performance Indicators

Notes: All Westcoast Energy Inc. totals have been recalculated to reflect the sale of Centra Manitoba.

Figures for Maritimes & Northeast Pipeline will be included beginning in our 1999 Review, reflecting the start of construction on the project in 1999.

Environmental, Health and Safety Expenditures[1]

	1997	1998
Centra Gas British Columbia Inc.[2]	$700,000	$1,653,000
Pacific Northern Gas Ltd.	$500,000	$550,000
Union Gas Limited	$4,719,000	$5,434,000
Westcoast Energy Pipeline and Field Services Divisions	$9,469,000	$9,493,000
Westcoast Gas Services Inc.	$403,000	$682,000
Westcoast Energy International Inc.	n/a	n/a
Westcoast Power Inc.	$74,000	$85,000
Westcoast Energy Corporate	$976,000	$1,250,000
Westcoast Energy Inc.	$16,841,000	$19,147,000

[1] All figures have been rounded to the nearest thousand.

[2] Centra Gas BC's 1998 expenditures increased over the previous year due to a variety of factors: more accurate tracking and reporting, increased capital spending on environmental assessment activities to support system expansion, and an increase in reported environmental monitoring costs, Workers' Compensation premiums and short term disability costs.

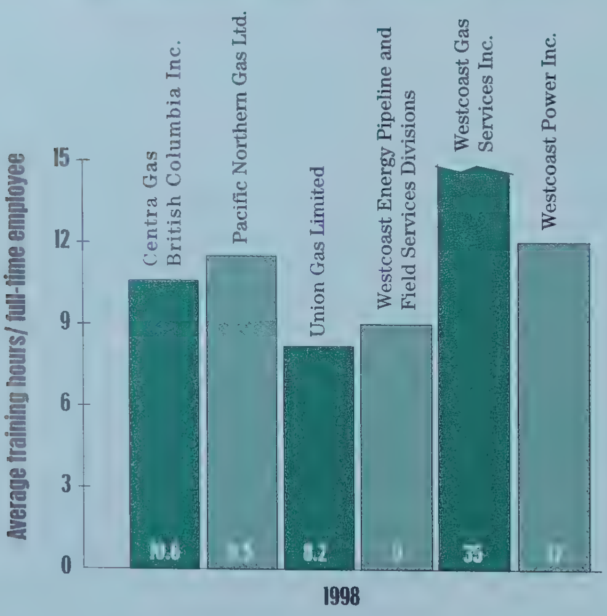
Environment, Health and Safety Expenditures

In 1998, the operating revenues of the Westcoast Energy group of companies were $7,376 million (including Centra Manitoba's, Engage Energy, Union Energy, Foothills and Empire figures).

As put forward in our last Review, the Westcoast Energy group of companies is committed to capturing and reporting our operating activities and capital investment-related environment, health and safety expenditures. These are tied to annual environmental capital investments and increase or decrease accordingly. All 1998 figures are up over 1997, a reflection of increased spending as well as improved tracking and reporting.

To calculate our 1997 and 1998 expenditures, each company used the expenditure guidelines developed by our Environment, Health and Safety Council. Our figures reflect our commitment in its initial stages, however, this remains a work in progress. In our 1999 report, we will refine our expenditure calculation.

Environment, Health and Safety Training



Environment, Health and Safety Training

Last year, we reported consolidated data on the average number of hours of environment, health and safety training. This year, we report each company's average training hours per full-time employee. These hours include all environmental training and mandatory health and safety training.

The figures for each company vary according to the ratio of office staff versus field employees. Field employees receive much more extensive training, reflecting the greater risks they face. This, in part, explains why Westcoast Gas Services Inc., with a staff of primarily field employees, has such a high training figure.

Note: Training is not applicable to Westcoast Energy International Inc.

Motor Vehicle Accidents – Frequency Rate

Total recordable motor vehicle accidents (frequency per 1,000,000 km)

	1995	1996	1997	1998
Centra Gas British Columbia Inc.	3.56	6.71	4.49	6.31
Pacific Northern Gas Ltd.	3.7	3.61	6.62	6.76
Union Gas Limited	4.35	3.68	5.01	4.05
Westcoast Energy Pipeline and Field Services Divisions	5.37	4.67	4.56	3.36
Westcoast Gas Services Inc.	n/a	0	0	0
Westcoast Energy International Inc.	n/a	n/a	n/a	n/a
Westcoast Power Inc.	0	0	0	0
Westcoast Energy Inc.	4.20	4.54	4.73	4.19

Lost Time Accidents – Frequency Rate

Number of full time employee lost time accidents per 200,000 hours worked

	1995	1996	1997	1998
Centra Gas British Columbia Inc.	2.87	4.32	0	0.80
Pacific Northern Gas Ltd.	2.10	0	1.34	2.47
Union Gas Limited	1.51	1.00	0.61	0.55
Westcoast Energy Pipeline and Field Services Divisions	0.78	0.65	0.68	0.9
Westcoast Gas Services Inc.	n/a	n/a	0	0
Westcoast Energy International Inc.	n/a	n/a	n/a	n/a
Westcoast Power Inc.	1	1	0	0
Westcoast Energy Inc.	1.42	1.01	0.57	0.71

Reportable Spills–

Spills reportable pursuant to applicable provincial laws

	1995	1996	1997	1998
Centra Gas British Columbia Inc.	0	0	0	0
Pacific Northern Gas Ltd.	not available	2	6	3
Union Gas Limited [3]	26	14	18	29
Westcoast Energy Pipeline and Field Services Divisions	29	12	23	12
Westcoast Gas Services Inc.	0	0	1	1
Westcoast Energy International Inc.	n/a	n/a	n/a	n/a
Westcoast Power Inc.	0	0	1	0
Westcoast Energy Inc.	55	28	49	45

[3] For the first time in 1998, contractors have been required to provide Spill Reporting and Response Procedures and to complete spill reports for all spills.

Motor Vehicle Accidents - Frequency Rate

Last year, we projected an overall improvement in our preventable motor vehicle accident figures. However, we have moved from reporting preventable motor vehicle accidents to total recordable motor vehicle accidents. This change is in line with Canadian Energy Pipeline Association and U.S. reporting standards. By implementing this change, we have learned that the Westcoast Energy companies already tracking their total figures (versus recordables) are seeing performance improvements. Therefore, we will continue to report on total figures to reflect more accurate trends.

Lost Time Accidents - Frequency Rate

Workplace safety continues to be a key priority for the Westcoast Energy group of companies. Frequency rates in individual operating companies have seen some variability, however, corporate figures have seen a gradual downward trend over the past four years.

Reportable Spills

Overall, reportable spills for Westcoast Energy companies have decreased or remained low. The only exception is Union Gas where, for the first time in 1998, contractors have been required to provide Spill Reporting and Response Procedures and to complete spill reports for all spills. The increase in reportable spills in 1998 may reflect an increased awareness by employees and contractors to respond to and report spills caused by their activities. Where spills occur, Westcoast Energy companies contain the spilled material, remediate the site and report the spill to regulatory authorities.

Permit Exceedences–

Permit exceedences reportable pursuant to applicable provincial laws

	1995	1996	1997	1998
Centra Gas British Columbia Inc.	0	0	0	0
Pacific Northern Gas Ltd.	0	0	0	0
Union Gas Limited	0	0	0	0
Westcoast Energy Pipeline and Field Services Divisions	21	23	36	13
Westcoast Gas Services Inc.	0	0	0	0
Westcoast Power Inc.	0	0	0	1
Westcoast Energy Inc.	21	23	36	14

Sulphur Emissions –

Sulphur emissions in tonnes per year

	1995	1996	1997	1998
Pacific Northern Gas Ltd.	0.1	0.1	0.2	0.4
Westcoast Energy Pipeline and Field Services Divisions	11,996	12,539	12,021	11,327
Westcoast Gas Services Inc.	14	4	274	276

GHG Emissions – Per Unit Throughput

Emissions in tonnes carbon dioxide equivalent (tonnes CO_2e) per million cubic metres for gathering processing transmission and distribution operations only.

	1990	1997	1998
Centra Gas British Columbia Inc.[7]	262	60	75
Maritimes & Northeast Pipeline	n/a	n/a	n/a
Pacific Northern Gas Ltd.[4,7]	146	126	101
Union Gas Limited[7]	38	30	28
Westcoast Energy Pipeline and Field Services Divisions	279	227	219
Westcoast Gas Services Inc.[5]	n/a	98	63
Westcoast Energy International Inc.	n/a	n/a	n/a
Westcoast Energy Inc.	120	102	102

Westcoast Power Inc.[6]	n/a	0.087	0.084

Permit Exceedences

The Westcoast Energy operating companies included in this indicator are authorized by their provincial governments for permitted air, water and land discharges. These permits contain conditions for operations, monitoring and performance reporting. Failure to meet these conditions is considered a permit exceedence. In these cases, the appropriate ministry is notified.

As we reported in 1997, Westcoast Energy Pipeline and Field Services Divisions addressed some of the key conditions that were leading to permit exceedences at the McMahon gas plant. In 1998, we see the results of these efforts as permit exceedences drop by more than 60 per cent.

Sulphur Emissions

Sulphur is a by-product that is created when natural gas is processed. During this process, 95 to 99 per cent of sulphur in the raw gas stream is converted to elemental sulphur, depending on the sulphur content of the raw gas processed. Most of the remaining sulphur is emitted as sulphur dioxide (SO_2).

Starting this year, in addition to Westcoast Energy Pipeline and Field Services Divisions and Westcoast Gas Services, Pacific Northern Gas' figures are included to ensure that all Westcoast Energy company sulphur emissions are reported.

GHG Emissions Per Unit Throughput

On an absolute basis, greenhouse gas emissions from Westcoast Energy companies are increasing due to higher market demand for cleaner burning fuel. When measured on a per unit basis, however, emissions are declining. This reflects a variety of measures to improve system efficiency and reduce fugitive (unintended) methane emissions.

[4] PNG's emissions dropped from 1997 to 1998 partially as a result of decreased construction activity.

[5] WGSI's reported figures changed from last year's report as a result of the availability of more accurate figures.

[6] CO_2 equivalent emissions are reported in tonnes per GJ for Westcoast Power

[7] GHG total emissions, and thus the emissions permit throughput, are likely to change slightly as a result of new emissions calculations factors scheduled to be available in July 1999. The above figures will be evaluated and then reported in full in the 1999 VCR Progress Report due to be published by year end.

Informing and educating employees, stakeholders and the public is an essential part of making progress in addressing environment, health, safety and sustainable development issues and concerns. We have developed a variety of documents to explore further some of the themes and issues discussed in our Progress in Sustainable Development Review document.

Available documents include:

- Westcoast's Voluntary Challenge and Registry Greenhouse Gas Action Plan
- Westcoast's Environment, Health and Safety Policy Statement
- Aboriginal Relations: Sharing A Vision
- A series of issue and technical papers on climate change

These documents are available at www.westcoastenergy.com. Alternatively, please contact us to request a copy of any of these materials:

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